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INFO RUCNCIS/CIS COLLECTIVE 1137  
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RUEHZL/EUROPEAN POLITICAL COLLECTIVE  
RUEHBJ/AMEMBASSY BEIJING 0534  
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SENSITIVE  
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STATE FOR SCA/CEN, DRL  
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E.O. 12958: N/A

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SUBJECT: KAZAKHSTAN: "MONEY THROWN TO THE WIND"

REF: 08 ASTANA 2252

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¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (SBU) SUMMARY: On January 28, the Soros Foundation of Kazakhstan hosted a roundtable on the effectiveness of social projects funded by oil companies operating in the country. The roundtable featured the premier of a 30-minute documentary film called "Money Thrown to the Wind," produced under the auspices of the Soros Foundation's Kazakhstan Revenue Watch program. The film, which accuses oil companies and local governments of wasting money on unsuccessful, unnecessary projects, offended some and inspired others in the audience, which included parliamentary deputies, oblast officials, non-governmental organizations, and domestic and international oil company representatives. With the exception of Energy Officer, all other participants in the roundtable were Kazakhstani, which perhaps explains why the ensuing discussion was so candid. Indeed, the spirited discussion following the film provided a striking look at the role civil society plays in Kazakhstan to promote greater transparency and accountability in the use of the country's oil revenue. It also offered a rare public display of the underlying (yet necessary) tension between NGOs and the government, and between the executive and legislative branches of the government. END SUMMARY.

#### ASSESSING SOCIAL PROJECTS FUNDED BY OIL COMPANIES

¶3. (SBU) In 2008, the Soros Foundation of Kazakhstan started a project called Revenue Watch to assess the efficiency and effectiveness of social projects funded by oil companies operating in Kazakhstan. According to Anton Artemiyev, Director of Kazakhstan Revenue Watch, the project and the film it produced were designed to hold all parties -- domestic and international oil companies, as well as local and central government authorities -- more accountable for investing Kazakhstan's oil revenue wisely, for the benefit of the Kazakhstani people. He said the purpose of funding a documentary film was to raise public awareness of existing and

planned social projects funded by oil companies and to launch a dialogue among regional governments, oil companies, and NGOs to increase the efficiency and transparency of these projects.

14. (SBU) Aitolkyn Kurmanova, author of the film's screenplay and Executive Director of the Central Asian League of Strategic Management, summarized a 2008 survey conducted in Kazakhstan's five major oil producing regions (Atyrau, Mangistau, West Kazakhstan, Aktubinsk, and Kyzylorda). According to Kuramnova, the survey showed that local communities are not involved in deciding which social projects should be funded; the selection and payment of contractors by local governments are not transparent; and the social projects managed or funded by oil companies are costly, inefficient, and based on incorrect assumptions about the local community's needs and priorities.

#### ONE-SIDED DOCUMENTARY

15. (SBU) "Money Thrown to the Wind" is billed as a documentary, but the title belies the label. With slow, sweeping shots of the open, unsettled steppe and iconic images of barefoot children staring out from under ragged clothes, the director leaves the impression that Kazakhstan is an impoverished country unable to provide basic care to its people. At one point, the camera cuts away to focus on a sparkling, \$14 million sports center in Zhanaozen, a city outside Aktau which we are told lacks a sufficient supply of potable water. Several members of the audience later said the images of abject poverty made them think of sub-Saharan Africa.

16. (SBU) On one of the rare occasions when the film cites statistics, the narrator says that during the past ten years, oil companies in Atyrau, Mangistau, and West Kazakhstan have spent more than \$500 million on social projects, or \$35,000 per capita. According to the film, in 2008, Agip KCO (Kashagan) spent \$12 million, Tengizchevroil (TCO) \$10 million, Karachaganak Petroleum

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Operating B.V. (KPO) \$10 million, and KazMunaiGas (KMG) \$9 million on social projects. Yet local residents were apparently not impressed. People interviewed -- apparently at random -- wonder why their regional governors would spend millions of dollars on unnecessary infrastructure like sports stadiums and swimming pools when the basic health, safety, and education of their children are at risk. One woman accused oil companies of not spending enough money on essential projects, particularly given the "record profits" they have earned in Kazakhstan. Although screenplay author Kurmanova claims she did not attempt to single out any company or country, only one oil company executive was shown on camera: Todd Levy, General Director of TCO, said simply that he was proud of the social programs carried out by TCO in partnership with the Atyrau oblast government.

17. (SBU) COMMENT: The film jumps without warning from one region to another, and from one project to another, without identifying the time, place, or company under review, making it extremely difficult to form an objective opinion about the claims of the authors. The movie is unabashedly one-sided and cites few facts or figures to support its argument. In November 2008, the Ambassador visited a vocational school that receives financial assistance from TCO and the school director was effusive in her praise for TCO (reftel). There are undoubtedly other successful social projects supported by oil companies in Kazakhstan, yet the filmmakers chose not to present or profile a single success story. END COMMENT.

#### SPIRITED DISCUSSION

18. (SBU) Once the movie ended, the fireworks began. Rauan Kenzhekhanov, a young, articulate advisor to the Governor (Akim) of Mangistau Oblast and himself a former employee of the Soros Foundation, walked purposefully to the podium and began to read in a monotonous voice a long list of social projects funded by the Mangistau Oblast in the past one year, three years, etc. Fortunately, he was interrupted by Aigul Soloviyeva, a member of the Committee for Economic Reform and Regional Development in the lower house of parliament (Mazhilis). Soloviyeva scolded Kenzhekhanov, saying the purpose of the roundtable was not to listen to boring

public relations reports from government officials, "which everyone reads all the time," but to assess the efficiency of critically-important social projects. Kenzhekhanov appeared offended by the interruption and attempted to dismiss Soloviyeva and return to his prepared remarks, but she pressed on: "There's no need to get defensive and build barricades," she said. "We are all here to participate in an open and honest discussion." Ultimately, Soloviyeva said she had to return to the Mazhilis to attend to important matters and Kenzhekhanov was left in peace to conclude his remarks.

¶9. (SBU) Kenzhekhanov said that he was very upset by the movie, particularly since he and his colleagues from the Mangistau Oblast government met with the filmmakers in good faith and provided them with data and statistics they requested, none of which, he said, was included in the film. Kenzhekhanov asked the filmmakers not to show the movie to the public, for it would surely embarrass the Akim and increase social tensions in the oblast. "If you decide to release the film," he warned, "it would damage our relationship and affect our ability to work together in the future."

¶10. (SBU) An NGO representative from West Kazakhstan, Svetlana Anosova, director of "Zhasyl Dala" (Green Steps), spoke out in support of the film, saying she witnessed a failed social project in the village of Beryozovka near Karachaganak. She said KPO spent tens of millions of dollars on a water supply project which never delivered potable water because the equipment was installed at a dry well, over the objections of the local community.

¶11. (SBU) Murat Abenov, also a member of the Mazhilis Committee for Economic Reform and Regional Development, was surprisingly blunt in his criticism of decisions made by regional governments. He called for greater accountability and insisted on a larger oversight role

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for the local Maslikhats, or regional parliamentary representatives. Ever the politician, he boldly proclaimed, "If we do not change, then we ourselves will be changed."

TCO REPRESENTATIVE CRITICIZES FILM

¶12. (SBU) Although in one sense the stars of the show, no Western oil company heads attended the roundtable, although TCO's Director for Government Affairs and Public Relations, Rzabek Artygaliyev, participated, as did Oral Idyrysov, Director of the Social Policy Department at KMG. When granted an opportunity to speak, TCO's Artygaliyev took immediate exception to the film's premise, criticized its lack of supporting evidence, and said, rather defensively, that the social projects funded by TCO do in fact meet the needs of local communities. He argued that regional oblast governors, not the oil companies, make the final decisions about investments in social infrastructure. "We are also citizens of this country," he said passionately, noting that he himself is a former mayor from Atyrau oblast. "We are just as interested in transparency, accountability, and the social development of our nation as you are. But this film, which is filled with inaccuracies and unsubstantiated accusations, is not the way to go about it."

¶13. (SBU) COMMENT: The roundtable was particularly notable for the diversity of its audience and for the candid discussion it inspired. The event suggested that members of Kazakhstan's civil society do have an opportunity to confront local government officials and members of parliament directly on matters of social importance. Furthermore, the fact that such a diverse group could agree quickly on the importance of working with local populations to improve the effectiveness, transparency, and accountability of social investment decisions bodes well for greater openness in monitoring and reporting on the use of Kazakhstan's oil revenue. END COMMENT.

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